

40 percent of world imports. In the North African region, durum is consumed primarily as couscous, a traditional durum-semolina-based dish. U.S. exports are not expected to benefit significantly from the region's production shortfall since Canada and the EU are primary suppliers to the

region. Canada is expected to be a major competitor in other key import markets, including the EU, Japan, and Venezuela.

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Livestock

Hog Producers Plan Modest Expansion

Viewing prospects for favorable returns, hog producers indicate they intend to begin rebuilding breeding herds, according to the USDA's June *Hogs and Pigs* report. After signaling a 2 percent decline for June-August 2000 compared with a year ago, producers have reversed direction and are planning to have 1 percent more sows farrow (produce litters) in September-November than a year ago. Hog producers' returns moved well above the economic breakeven point (receipts less costs) in first-half 2000, as prices rallied into the low \$50's per cwt and feed costs remained the lowest in several years.

Producers have been reducing herds due to poor returns in late 1998 and 1999. The June 1 inventory of all hogs and pigs totaled 59.4 million head, and the 6.23 million breeding hogs in that total was a 4-percent drop from last year.

The additional farrowings, along with a rising number of pigs per litter, would increase the pig crop 1-2 percent for September 2000-February 2001 over the same period a year earlier. Pork production, in turn, is forecast up about 1 percent in calendar 2001, with the first quarterly year-over-year rise in March-May 2001 since third-quarter 1999. The hog production cycle is 10 months—4 from conception to birth, 1 from birth to weaning, and 5 from weaning until slaughter.

But before expansion takes hold, pork production will fall 2 percent in second-half 2000 from a year earlier, based on a 4-percent decline in hog slaughter and a continued rise in average dressed weight. The forecast drop in slaughter results from a 2-percent-smaller pig crop for December 1999-May 2000 compared with a year earlier and slightly higher gilt (female) retention for the breeding herd. Farrowings during the period were down from a year earlier, but pigs per litter were up. (The move in the industry to larger specialized operations has been partly responsible for the larger litters. For example, farms with 5,000 or more hogs averaged 9 pigs per litter in March-May 2000, compared with 7.8 for farms with 1-99 head.)

Raising animals in confinement generates problems of manure management.

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Spring's seasonal decline in slaughter rates, the public's taste for bacon, and the rising price of beef ratcheted up hog prices into the low \$50's per cwt in late spring and early summer 2000. Demand for bacon continued strong, especially for

fast-food industry use in sandwiches. As beef prices rose, food retailers featured the more price-attractive pork loins, strengthening loin prices.

With lower pork production in the near term, prospects for only modest expansion next year, and ongoing healthy retail demand, the hog market promises to be relatively strong into 2001. While there is some uncertainty about whether this year's strong demand will persist, hog prices are expected to average in the mid-\$40s per cwt in 2000. In late fall 2000, when slaughter reaches a seasonal peak, hog prices could average around \$40 per cwt. Given expected expansion in production in 2001, slaughter capacity could be strained late in the year, putting downward pressure on hog prices. Hog prices are expected to average \$42-46 per cwt in 2001.

Retail price hikes usually lag behind increases in farm prices; with rising hog prices in first-half 2000, the farm-to-retail price spread can be expected to narrow, then widen. By second-quarter 2000, the price spread had shrunk to \$1.68 per pound after averaging \$1.81 in 1998 and 1999. Following the 2-year price decline, tighter pork supplies will probably push retail pork prices up 5-6 percent this year. In 2001, retail prices may increase about 1 percent, widening the spread again.

Producers will likely stay in a mood to expand, with hog prices much higher than a few years ago and lower feed prices anticipated over the next 18 months (record corn and soybean crops are projected for 2000). As producers rebuild their equity positions and as large facilities take extra time to get up to speed, however, growth will probably be gradual. **AO**

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